

## Message Text

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ACTION IO-14

INFO OCT-01 NEA-10 ISO-00 EB-08 L-03 FRB-03 OMB-01  
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R 291250Z AUG 77  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 5701  
INFO USMISSION GENEVA

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E.O. 11652: N/A  
TAGS: EAID, IN  
SUBJECT: COMMON FUND- SOME ADDITIONAL INDIAN VIEWS

REF: NEW DELHI 12064, NEW DELHI 11867, STATE 191312

SUMMARY: DURING DISCUSSION OF NORTH-SOUTH ISSUES WITH SENIOR OFFICIAL MEA, AMBASSADOR WAS GIVEN PRESENTATION OF GOI VIEWS ON COMMON FUND WHICH SUPPLEMENT THOSE IN DELHI 11867. ACCORDING TO OFFICIAL, IF NO NEW POSITIONS ARE PRESENTED AT FORTHCOMING UNCTAD MEETING ON COMMON FUND, RESULTS OF CIEC WOULD BE EXPOSED AS MERELY PAPERED-OVER DIFFERENCES, AND RESULT COULD BE ANOTHER CONFRONTATION BETWEEN DEVELOPED AND DEVELOPING COUNTRIES. EMBASSY BELIEVES A VISIT BY SENIOR POLICY LEVEL OFFICIAL TO INDIA WOULD BE HELPFUL TO BOTH COUNTRIES AND RECOMMEND UNDER SECRETARY COOPER VISIT HERE ENROUTE TO OR FROM ASEAN MEETING.

END SUMMARY:

1. AMBASSADOR DISCUSSED GENERAL NORTH-SOUTH ISSUES WITH V.K. AHUJA, SECRETARY IN MEA WH LEADS SENIOR LEVEL DELEGATIONS TO CIEC AND OTHER NORTH-SOUTH FORA. SOME POINTS IN TALK ARE  
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RELEVANT TO QUESTIONS POSED IN STATE 191312.

2. AHUJA SAID SENIOR LEVEL STEERING COMMITTEE MADE UP OF SECRETARIES FROM MINISTRIES EXTERNAL AFFAIRS, FINANCE, COMMERCE, PETROLEUM AND SOMETIMES OTHERS, HEADED BY CABINET SECRETARY, DECIDED POLICY ISSUES ON NORTH-SOUTH MATTERS. RELEVANT MINISTRY (FOR EXAMPLE COMMERCE ON COMMODITIES/COMMON FUND) WOULD PRESENT

ISSUES AND THEN TRANSMIT INSTRUCTIONS TO THEIR DELEGATION BASED ON DECISION OF STEERING COMMITTEE.

3. HAVING USED EXAMPLE OF COMMON FUND, AHUJA THEN EXPANDED ON GOI'S VIEWS ON THIS ISSUE AT NEXT UNCTAD MEETING. SINCE THRUST OF HIS COMMENTS WAS SOMEWHAT DIFFERENT FROM THOSE OF JOINT SECRETARY SHUKLA IN MINISTRY OF COMMERCE, EMBASSY BELIEVES THEY MAY BE OF INTEREST TO THE DEPARTMENT.

4. AHUJA SAID COMMON FUND ISSUE WAS NOT RESOLVED AT CIEC BUT MERELY PAPERED OVER. IF AT FORTHCOMING MEETING OF UNCTAD SAME POSITIONS WERE TAKEN BY PARTICIPATING COUNTRIES, THESE DIFFERENCES WOULD QUICKLY SURFACE AGAIN, VERY LIKELY RESULTING IN ATMOSPHERE OF CONFRONTATION. INDIA, AS A MATTER OF POLICY, WISHED TO AVOID CONFRONTATION ON AND NORTH-SOUTH ISSUE AND WORKED ACTIVELY, THEREFORE, TO RESOLVE PROBLEMS COOPERATIVELY.

5. HOWEVER, HE SAID, DEVELOPED COUNTRIES (DC) CONTINUED TO INSIST A COMMON FUND SHOULD BE USED ONLY TO BACKUP INDIVIDUAL COMMODITY AGREEMENTS, NOT AN INTEGRATED PROGRAM FOR ALL COMMODITIES. AFTER YEARS OF EFFORT, HE SAID, ONLY 3 OR 4 SUCH AGREEMENTS HAVE COME INTO EXISTENCE. AT THIS RATE, ANOTHER GENERATION OR TWO WOULD BE NEEDED BEFORE MOST INDIVIDUAL COMMODITIES COULD BE COVERED BY AGREEMENT AND THEREFORE ELIGIBLE FOR SUPPORT BY SUCH A COMMON FUND. G-77 FOUND THIS FRUSTRATING AND THEIR IMPATIENCE WOULD BE APPARENT AT NEXT UNCTAD MEETING.

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6. AHUJA THEN MADE STRONG PLEA THAT US, AS LEADER OF DCS, MAKE AN "ACT OF FAITH" AT MEETING, AND AGREE TO THE PRINCIPLE OF THE COMMON FUND FOR AN INTEGRATED PROGRAM ON COMMODITIES. NO COMMITMENT OF FUNDS AT THAT TIME WAS NECESSARY, AND THE US, HAVING AGREED TO THIS PRINCIPLE, WOULD THEN HAVE EVERY RIGHT TO ASK HARD, SEARCHING QUESTIONS ON HOW, UNDER WHAT CIRCUMSTANCES, TO WHAT DEGREE AND IN WHAT AMOUNTS, THIS COMMON FUND WAS TO BE USED. THE ANSWERS WOULD NOT BE EASY, BUT G-77 WOULD BE OBLIGATED TO ANSWER THEM ADEQUATELY BEFORE THEY COULD EXPECT THE FUND TO BE ORGANIZED.

7. COMMENT: AHUJA, IN MAKING HIS PRESENTATION, DID NOT REFER TO CENTRAL SOURCE OF FINANCING, OR THE SECOND WINDOW. AS THE MEA REPRESENTATIVE IN THE STEERING COMMITTEE, HIS CONCERNS ARE THE POLITICAL ASPECTS OF AN ISSUE. IN THIS SENSE, HIS PRIORITIES WERE CORRECT FROM INDIA'S POINT OF VIEW- AGREEMENT ON THE COMMON FUND IS THE FIRST STEP, WITH THE USE TO WHICH IT WOULD BE PUT (WHERE INDIA HAS DIFFERENCES WITH OTHER G-77 COUNTRIES) TO BE DETERMINED SUBSEQUENTLY. WHILE ON THE WHOLE ISSUE OF COMMODITIES INDIA'S INTERESTS ARE BOTH AS AN EXPORTER AND IMPORTERS, HER PRINCIPAL EXPORT COMMODITIES- JUTE AND TEA- DO NOT MAKE BUFFER STOCKING SUPPORT A PARTICULAR ATTRACTIVE OBJECTIVE OF

THE COMMON FUND FOR INDIA.

8. INDIA AS A MATTER OF FUNDAMENTAL POLICY WOULD NOT BREAK WITH ANY PUBLIC POSITIONS ADOPTED BY THE G-77. SHE WOULD, HOWEVER, WORK STRENUOUSLY AND WITH CONSIDERABLE EFFECT TO STEER POSITIONS THAT WOULD ENHANCE HER INTERESTS OR AT LEAST NOT HARM THEM. IT IS IN THIS LIGHT WE SEE INDIA'S CENTRAL ROLE IN ADVOCATING A SECOND WINDOW FOR THE COMMON FUND WITHIN THE G-77.

9. AS OUR POLICY ON THE COMMON FUND IS BEING DEVELOPED IN PREPARATION FOR THE NEXT UNCTAD MEETING, WE BELIEVE AN INFORMAL DISCUSSION BETWEEN SENIOR POLICY OFFICIALS OF THE USG AND INDIA WOULD BENEFIT BOTH COUNTRIES. WE NOTE THAT UNDER SECRETARY COOPER IS EXPECTED TO CONSULT WITH ASEAN COUNTRIES AROUND MID-LIMITED OFFICIAL USE

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SEPTEMBER. WHILE DR. MONMOHAN SINGH, SECRETARY, MOF, WILL BE LEAVING DELHI SEPTEMBER 15 FOR COMMONWEALTH FINANCE MINISTERS MEETING, AND IT WOULD BE PREFERABLE TO INCLUDE HIM IN ANY DISCUSSIONS, EMBASSY BELIEVES A SHORT VISIT TO DELHI, PERHAPS IN CONNECTION WITH THE ASEAN MEETING, WOULD BE VERY USEFUL. BOTH SINGH AND AHUJA HAVE SPOKEN HIGHLY OF THE UNDER SECRETARY ON SEVERAL OCCASIONS AND WOULD, WE BELIEVE, ESPECIALLY WELCOME HIM HERE  
GOHEEN

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